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TURKEY-CYPRUS

[redacted] Turk-
ish forces on Cyprus are preparing to initiate new mili-
tary operations.

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[redacted] This morning, the situation
remains quiet, and no new cease-fire violations have been
reported.

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[redacted] the US defense attaché in Nicosia reit-
erated on Friday that today, or Sunday at the latest,
the Turks will carry out the previously reported plan
to clear the Greek National Guard out of several posi-
tions around Nicosia and to the west as far as Lefka near
Morphou Bay. Military moves in the eastern portion of
Cyprus, as well as the plan concerning the objectives in
the west, suggest the Turks may be moving into position
to seal off the northern half of the island presently
held by Turkish forces.

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[redacted] An embassy official
reported that in the morning, up to 1,000 Turkish com-
mando troops in battle gear were waiting for transport
at two locations near Kyrenia.

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[redacted] The defense attaché also
stated that Turkish reconnaissance aircraft were active
west of Nicosia yesterday.

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On the political front, a less ominous note was sounded yesterday when Greek Cypriot negotiator Clerides and Turkish Cypriot leader Denktash held their eighth session on substantive political negotiations and agreed to meet again on Monday.

There was still no movement on the airport issue in the meeting. Clerides again rejected Denktash's insistence that the airport be managed by representatives of the guarantor powers--the UK, Greece, and Turkey. When Denktash reiterated his offer to allow some 5,000 Greek Cypriot refugees to return to areas behind Turkish lines near Athienou in the south, Clerides again dismissed the offer as insignificant in view of the 180,000 Greek Cypriot refugees in the Greek Cypriot zone.

Denktash read a statement at the meeting reaffirming the Turkish side's desire that the talks continue. Clerides took note of Denktash's statement earlier in the week, however, in which he threatened to declare an independent Turkish Cypriot state. Clerides warned that the talks would be discontinued if this were to occur. Denktash admitted that had it not been for "outside intervention" he would now be president of an independent Turkish Cypriot republic of Cyprus.

At the meeting, Clerides announced that he would present a Greek Cypriot position paper on all issues at Monday's session. The position paper is likely to spell out Greek Cypriot terms for the establishment of a multi-regional federation with a strong central government. Should Turkish forces initiate a military operation over the weekend, however, the Greek Cypriot side may well abandon the talks and turn to another forum such as the UN Security Council.

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BRAZIL

The prospect of substantially lower economic growth this year--perhaps as low as half of last year's 10-percent rate--is not dampening the optimism publicly professed by government officials. They continue to stress the very real progress that the country has made and will continue to make. Top officials, from President Geisel down, are, however, adjusting their rhetoric in a way that reflects both recognition of economic challenges and preoccupation with current or potential problems.

In his year-end speech, President Geisel stressed Brazil's continuing ability to meet the objectives of its development goals. He pointed out the high rate of employment, prospects for good harvests, and ongoing industrial expansion. Such economic problems as Brazil has, he said, are largely attributable to outside forces and can be dealt with.

Finance Minister Simonsen and other top economic planners have recently been emphasizing how much more growth Brazil will experience this year than most of the industrialized nations, whose economies may very well stagnate or grow only marginally. Top officials also stress that inflation, which went up sharply during much of last year, has again been brought under control. This encouraging message is designed for the potential overseas investor, notably in the Middle East, as well as for domestic audiences whose anxiety over economic matters has been increasing.

Government spokesmen have also sought to capitalize on the discovery late last year of significant oil deposits off the Rio coast. They have tried to dispel the gloom occasioned by inflation and balance-of-payments problems by talking up--rather prematurely--the prospects for early self-sufficiency in petroleum.

Notwithstanding this outward optimism, it is not difficult to discern a realization among top officials that a lowering of economic expectations is unavoidable. No longer do economic planners confidently predict a yearly growth rate of 10 percent--to which Brazil had

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become accustomed--or for that matter, any specific figure. In private, they speak of growth on the order of 5 or 6 percent, still impressive by comparison with other nations, but nonetheless disappointing for Brazil.

The administration has set no specific target for the reduction of inflation in the coming year, a practice that had become routine under the previous administration. Finally, in recognition of the serious balance-of-payments problem, the government is attempting to limit this year's imports to the level of last year, a move certain to have an inhibiting effect on growth.

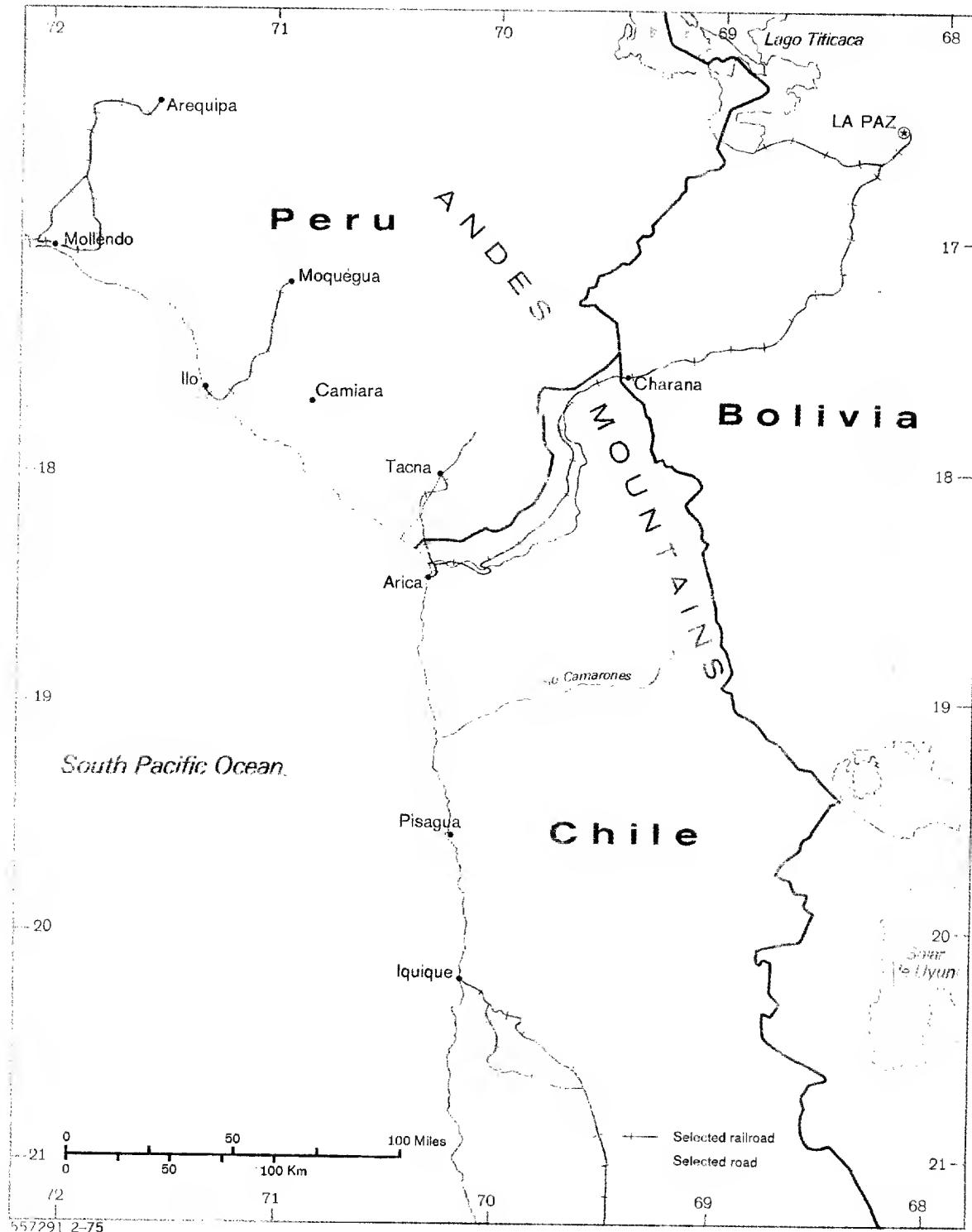
Since the revolution bases its claim to power largely on its ability to deliver on economic promises, the government is apt to be particularly sensitive to any economic setback, especially if there is any possibility of a prolonged, serious downturn. The Geisel administration has incorporated in its list of economic priorities for 1975 a number of items--featured rather prominently--that reflect increased attention to social, rather than strictly growth-related, matters.

Specifically, the government has acknowledged the need to foster social development and more equitable distribution of national income. Moreover, Geisel has set limits on the amount of price increase permissible this year on goods and services provided by the public sector, and he is allowing substantial wage increases.

These moves appear to be in response to last fall's opposition electoral victories, generally seen as a mass protest against worsening economic conditions. The government's action may signal a realization that, if the economy no longer booms as it once did, the revolution's appeal for support must be broadened. If this is indeed the case, it appears that lowered economic growth prospects will have contributed, at least somewhat, to greater government responsiveness to the populace.

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CHILE-BOLIVIA

Chilean President Pinochet and Bolivian President Banzer will meet today. An end to the 13-year break in full diplomatic relations between the two nations could be in the offing.

The meeting, at Chile's initiative, will be the second between Pinochet and Banzer in less than a year. It will be held near the Bolivian town of Charana, which is on the Arica - La Paz rail line.

Chilean fear of aggression by Peru is largely responsible for Santiago's efforts to eliminate points of friction with Bolivia. Recent changes in the fees charged to La Paz for port services at Arica have reduced them below the break-even point. Pinochet may now be prepared to invite Bolivia to share in control of the Chilean leg of the Arica - La Paz rail line or announce other moves designed to facilitate Bolivian export-import trade through Arica. In any event, Banzer's statement this week that a solution to his country's landlocked situation is no longer a precondition for renewing diplomatic ties sets a propitious atmosphere for the talks.

Bolivia's chances of regaining its lost seacoast remain as remote as ever, but La Paz could reap further political and economic benefits from the tensions between Chile and Peru.

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LATIN AMERICA

Some Latin American governments are privately accusing Venezuela of "wielding a big stick" in inter-American affairs. This criticism centers on their belief that Venezuela was instrumental in the cancellation of the foreign ministers' conference scheduled to be held next month in Buenos Aires.

The Argentines apparently have second thoughts about having called off the meeting. Earlier this week, Foreign Ministry officials expressed their regret to the US ambassador, saying that "certain nouveau riche countries" had forced indefinite postponement by refusing to attend on grounds of opposition to the US Trade Reform Act. President Peron's government cannot afford to jeopardize a pending multi-million petroleum credit from Venezuela, but resentment over the postponement could focus on Foreign Minister Vignes and force him out of the cabinet.

In Uruguay, a leading Montevideo newspaper has attacked Venezuela for sending delegates to a US conference on bilateral relations, after having called for hemispheric solidarity in opposing Washington.

Government spokesmen in Nicaragua, Guyana, and Trinidad have recently confessed their reluctance to support Venezuela's claim to leadership in regional affairs. Their geographic proximity to Venezuela and their recognition of the acute need for petroleum throughout the hemisphere, however, will preclude open expressions of hostility.

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FOR THE RECORD

Portugal: Extreme leftist demonstrators marched unmolested through Lisbon last night, defying a government ban on public rallies. The Communist Party told the populace not to take part in the demonstration so as not to provoke a rightist reaction. Troops stood ready in nearby barracks, and there were no reports of violence. Most of the demonstrators chanted slogans about unemployment and low wages, the original targets of the march. Some demonstrators also protested the presence in Lisbon of NATO forces on shore leave, following a week of anti-submarine exercises off the Portuguese coast; they carried "out with NATO" and "death to capitalism" banners.

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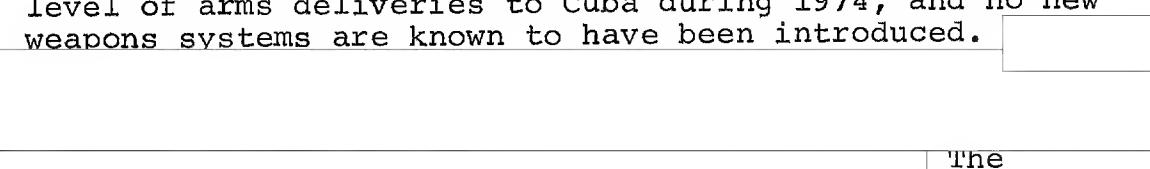
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USSR-Cuba: The Soviet Union maintained a moderate level of arms deliveries to Cuba during 1974, and no new weapons systems are known to have been introduced.

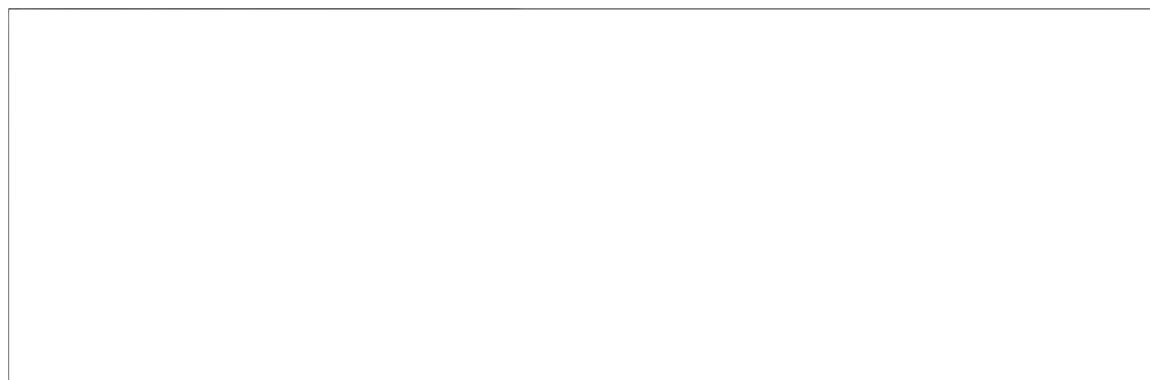
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The level of deliveries and the types of equipment supplied suggest the Soviets are still committed only to a minimum replacement program.



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